



# Japan-U.S. Relations: Issues for Congress

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February 15, 2013

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

RL33436

**CRS Report for Congress**

*Prepared for Members and Committees of Congress*

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>15 FEB 2013</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2013 to 00-00-2013</b>	
4. TITLE AND SUBTITLE <b>Japan-U.S. Relations: Issues for Congress</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Congressional Research Service, The Library of Congress, 101 Independence Ave, SE, Washington, DC, 20540</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>36</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

## Summary

Japan is a significant partner for the United States in a number of foreign policy areas, particularly in terms of security priorities, from responding to China's rise in the region to countering threats from North Korea. The post-World War II U.S.-Japan alliance has long been an anchor of the U.S. security role in East Asia. The alliance facilitates the forward deployment of about 49,000 U.S. troops and other U.S. military assets based in Japan in the Asia-Pacific. If Japan decides to join the Trans-Pacific Partnership (TPP) free trade agreement, it will become an even more critical element in the Obama Administration's rebalancing to Asia strategy.

Japan has struggled to find political stability in the past seven years. Since 2007, six men have been Prime Minister, including the current premier Shinzo Abe, who also held the post in 2006-2007. His Liberal Democratic Party (LDP) returned to power in a landslide election in December 2012. The current opposition Democratic Party of Japan (DPJ) had ruled for three tumultuous years since their own watershed election victory in 2009. Japan's leaders face daunting tasks: an increasingly assertive China, a weak economy, and rebuilding from the devastating March 2011 earthquake, tsunami, and nuclear disaster. In recent years, opposition control of one chamber of parliament has paralyzed policymaking in Tokyo and made U.S.-Japan relations difficult to manage despite overall shared national interests. Abe is unlikely to pursue controversial initiatives before the next national elections, for the Upper House of parliament (called the Diet) in July 2013. Perhaps most significantly, the United States could become directly involved in a military conflict between Japan and China over the Senkaku/Diaoyu islets in the East China Sea.

Past comments and actions on controversial historical issues by Prime Minister Abe and his cabinet have raised concern that Tokyo could upset regional relations in ways that hurt U.S. interests. Abe is known as a strong nationalist, and he is now under pressure on the right from a newly formed party touting its own hawkish views on national security. Abe's approach to issues like the so-called "comfort women" sex slaves from the World War II era, history textbooks, visits to the Yasukuni Shrine that honors Japan's war dead, and statements on a territorial dispute with South Korea will be closely monitored by Japan's neighbors as well as the United States.

The massive and immediate humanitarian relief provided by the United States following the March 2011 "triple disaster" bolstered the bilateral alliance, but difficult issues remain, particularly those related to the stationing of marines on Okinawa. Washington and Tokyo have agreed to relocate several thousand marines from Okinawa to Guam and other locations in the region, but the two governments have been unable to make tangible progress on implementing a 2006 agreement to relocate the controversial Futenma Marine Corps Air Station to a less densely populated location on Okinawa. In addition, the U.S. Congress has restricted funding for the realignment because of concerns and uncertainty about the cost of the realignment plans.

Japan is one of the United States' most important economic partners. Outside of North America, it is the United States' second-largest export market and second-largest source of imports. Japanese firms are the United States' second-largest source of foreign direct investment, and Japanese investors are the second-largest foreign holders of U.S. treasuries, helping to finance the U.S. deficit and reduce upward pressure on U.S. interest rates. One exception was U.S. criticism over Japan's decision in 2003 to ban imports of U.S. beef, which have since resumed, resolving one issue that could have been an obstacle to the United States agreeing to Japan's joining the TPP.

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## Recent Developments

### Shinzo Abe and the LDP Return to Power

In elections for the Lower House of the Japanese parliament (called the Diet) on December 19, 2012, the Liberal Democratic Party (LDP) scored a commanding victory that swept the party and its leader, Shinzo Abe, back into power. The LDP and its coalition partner won 324 of the chamber's 480 seats, up from 141. The LDP has now ruled Japan for all but about four years since the end of World War II. Abe (pronounced "ah-bay") was also Prime Minister for about a 12-month period in 2006 and 2007. The December elections toppled the Democratic Party of Japan (DPJ), which had been Japan's ruling party since the previous Lower House vote in 2009. The DPJ's seat total tumbled from 230 seats to 57. A new group, the Japan Restoration Party, led by two controversial figures known for their iconoclastic and generally hawkish views, won 54 seats to become Japan's third-largest party. As discussed in the Japanese Politics section below, most observers interpreted the election more as a rejection of the DPJ than an endorsement of the LDP.

The LDP will now turn its attention toward securing an outright majority in the Upper House in elections for half of that chamber's seats in July 2013. Since 2007, no party has controlled both the Lower and Upper Houses of the Diet for more than a few months, paralyzing policymaking. Because these elections will be pivotal—if the LDP loses seats, the Diet will remain divided—many analysts believe Abe is unlikely to take steps before the polls that are politically controversial, such as joining the Trans-Pacific Partnership (TPP) trade negotiations or loosening Japan's ban on participating in "collective self-defense," that is, combat cooperation in defense of another country.

### Senkaku/Diaoyu Territorial Dispute with China

Japan and China have engaged in a struggle over islets in the East China Sea known as the Senkakus in Japan, Diaoyu in China, and Diaoyutai in Taiwan, which has grown increasingly heated in the past six months. The uninhabited territory, administered by Japan but also claimed by China and Taiwan, has been a subject of contention for years, despite modest attempts by Tokyo and Beijing to jointly develop the potentially rich energy deposits nearby, most recently in 2008-2010. In August 2012, the Japanese government purchased three of the five islands from a private landowner in order to preempt their sale to Tokyo's nationalist governor Shintaro Ishihara, who now is a leader of the aforementioned Japan Restoration Party. Although intended to tamp down the controversy, Japan's "nationalization" of the territory upset the status quo, leading to massive Chinese protests, sharp objections from Beijing, and a drop in Sino-Japanese trade.

Since then, China has conducted increasingly aggressive operations by dispatching both military and maritime law enforcement ships and aircraft to the area, compelling the Japanese to respond with their own forces and heightening the potential for escalation. On one occasion both countries scrambled fighter jets, and subsequently a Japanese official publicly mulled firing warning shots. In February 2013, the Japanese government reported that a Chinese naval ship locked its weapons-targeting radar on Japanese assets on two occasions. Although no shots were fired, the incident was considered a major escalation in the standoff and sparked questions about whether the Chinese operator was acting on orders from Beijing, military commanders, or his own discretion. Beijing has denied the accusation.

The United States has remained neutral on the sovereignty of the islands but re-affirmed that the territory is covered under Article Five of the U.S.-Japan Security, which stipulates that the United States is bound to protect “the territories under the Administration of Japan” and Japan administers the Senkakus (Diaoyu Islands). The Treaty obligates the United States to defend Japan. Due to the risk of U.S. involvement in military operations, U.S. officials have urged caution and encouraged both sides to avoid a conflict.

The Senkaku/Diaoyu conflict embodies Japan’s security challenges. The maritime confrontation with Beijing is a concrete manifestation of the threat Japan has faced for years from China’s rising regional power. It also brings into relief Japan’s dependence on the U.S. security guarantee and its anxiety that Washington will not defend Japanese territory if it risks going to war with China. Operationally, Japan has an acute need for its military, known as the Japan Self Defense Forces, to build up their capacity in the southwest part of the archipelago. Similarly, many observers cite the lack of coordination and clear delineation of responsibilities between the Japanese Maritime Self Defense Forces and Coast Guard.

## **Abe’s Economic Agenda and U.S. Beef Imports**

Abe has made it a priority of his administration to grow the economy and to eliminate deflation, which has plagued Japan for many years. After assuming power, Abe’s government announced a \$122 billion stimulus package aimed at spending on infrastructure, particularly in areas affected by the March 2011 disaster. While the package is expected to boost growth somewhat, it will also add to Japan’s already large public debt. Under pressure from Abe, the independent central bank announced that it would undertake quantitative easing measures and raise its inflation target to 2% within two years. The Japanese yen then rapidly dropped in value against the U.S. dollar and other major currencies.

On February 1, 2013, the Japanese government loosened its restrictions on U.S. beef imports to allow beef from cattle 30 months or younger for the first time since December 2003. These steps would appear to provide the opportunity for growth in U.S. beef imports to Japan and to resolve an issue that had been a major irritant in the bilateral trade relationship, as well as a potential obstacle for Japan to join the TPP.

Figure I. Map of Japan



Source: Map Resources. Adapted by CRS.



# Japan's Foreign Policy and U.S.-Japan Relations<sup>1</sup>

The U.S.-Japan relationship is broad, deep-seated, and stable but has been handicapped by the political paralysis in Tokyo. The annual replacement of prime ministers since 2006 has made long-term planning with Japan complicated, particularly as the United States seeks reliable partners in the Obama Administration's rebalancing to Asia strategy, also known as the "Pacific Pivot." Both Tokyo and Washington seek to manage relations with a rising China, as well as address the North Korean threat. Alliance cooperation at the working level has been strong, driven closer by assertive Chinese behavior and North Korean provocations. Although major basing issues in Okinawa remain stubbornly unresolved, other security matters such as ballistic missile defense cooperation have progressed under both the DPJ and LDP governments. The joint response to the March 2011 disasters remains a vivid reminder to both sides of the underlying strength of the alliance.

It remains uncertain how Prime Minister Abe will fare as a steward of the relationship. On the one hand, he is known as a strong supporter of the U.S. alliance and promotes a number of security positions that align with the United States. He is an advocate of building relations with fellow democracies, particularly advancing security ties with Australia and India. On the other hand, Abe faces questions about his ability to steer foreign policy away from divisive regional issues that could hurt U.S. interests. (See section below for discussion.) In addition, domestic political divisions mean that major U.S. priorities such as Japan joining negotiations for the Trans-Pacific Partnership (see "Economic Issues" section for more) and allowing for more advanced defense cooperation (see "Alliance Issues" section for more) will likely remain on hold until after the July 2013 Upper House elections.

## Japan Country Data

**Population:** 127.4 million

**% of Population over 64:** 24% (U.S. = 12.4%)

**Area:** 377,835 sq km (slightly smaller than California)

**Life Expectancy:** 84 years

**Per Capita GDP:** \$36,200 (2012 est.)  
purchasing power parity

**Primary Export Partners:** China 19.7%,  
US 15.5%, South Korea 8%, Hong Kong 5.2%,  
Thailand 4.6% (2011)

**Primary Import Partners:** China 21.5%,  
US 8.9%, Australia 6.6%, Saudi Arabia 5.9%,  
UAE 5%, South Korea 4.7% (2011)

**Yen: Dollar Exchange Rate:** 79.42 (2012  
est.), 79.81 (2011 est.), 87.78 (2010 est.),  
93.57 (2009), 103.58 (2008)

**Foreign Exchange Reserves:** \$1.351  
trillion (December 2012 est.)

**Source:** CIA *World Factbook*, February 2013.

## Abe and History Issues

During his year-long stint as Prime Minister in 2006-2007, Abe was known for his nationalist rhetoric and advocacy for more muscular positions on defense and security matters. Some of Abe's positions—such as changing the interpretation of Japan's pacifist constitution to allow for Japanese participation in collective self-defense—were largely welcomed by U.S. officials eager to advance military cooperation. Other statements, however, suggest that Abe embraces a revisionist view of Japanese history that rejects the narrative of imperial Japanese aggression and victimization of other Asians. He has been involved with groups arguing that Japan has been unjustly criticized for its behavior as a colonial and wartime power. Among the positions advocated by these groups, such as *Nippon Kaigi Kyokai*, are that Japan should be applauded for

<sup>1</sup> This section was written by Emma Chanlett-Avery.

liberating much of East Asia from Western colonial powers, that the 1946-1948 Tokyo War Crimes tribunals were illegitimate, and that the killings by Imperial Japanese troops during the 1937 “Nanjing massacre” were exaggerated or fabricated. Historical issues have long colored Japan’s relationships with its neighbors, particularly China and South Korea, who remain resentful of Japan’s occupation and belligerence during the World War II period. Abe’s selections for his Cabinet appear to reflect these views, as he chose a number of politicians well-known for advocating nationalist, and in some cases ultra-nationalist views.

The previous DPJ government adopted a more conciliatory view of Japan’s past and worked to mend historical wounds with South Korea and China. In August 2010, the 100<sup>th</sup> anniversary of Japan’s annexation of the Korean Peninsula, then-Prime Minister Naoto Kan renewed Japan’s apology for its treatment of Koreans during colonial rule, and offered to return historical documents and other artifacts taken from Korea. Until the end of their time in power, DPJ leaders also avoided visiting the controversial Yasukuni Shrine, a shrine that honors Japan’s wartime dead and includes several Class A war criminals. Visits to the shrine by LDP Prime Minister Junichiro Koizumi had severely strained Tokyo’s relationships with Beijing and Seoul in the early and mid-2000s.

Abe last visited the Yasukuni Shrine in October 2012, after he was elected president of the LDP but before the parliamentary elections that made him Prime Minister. Many analysts say that Abe’s re-ascension to the premiership risks inflaming regional relations, which could disrupt regional trade, threaten security cooperation among U.S. allies, and further exacerbate already tense relations with China. Abe is under pressure from the Japan Restoration Party, a new fiercely nationalist party that won the third largest number of seats in the Diet. On the other hand, during his last stint as Prime Minister, Abe successfully repaired ties with South Korea and China and is regarded by some observers as a pragmatic operator. Since becoming prime minister, he has not repeated his calls while in opposition to station Japanese civilians on the Senkaku Islands and to designate a national “Takeshima Day” to promote Japan’s assertion of sovereignty over the Dokdo/Takeshima island that is controlled by South Korea. Although relations with China are far more problematic now, he recently sent an envoy to reach out to the new government in South Korea, raising hopes that relations will not deteriorate significantly.

### **Comfort Women Issue<sup>2</sup>**

Abe’s statements on the so-called “comfort women”—sex slaves used by the Japanese imperial military during its conquest and colonization of several Asian countries in the 1930s and 1940s—have been criticized by other regional powers and the U.S. House of Representatives in a 2007 resolution. Abe has suggested that his government might consider revising a 1993 official Japanese apology for its treatment of these women, a move that would be sure to degrade Tokyo’s relations with South Korea and other countries.

In the past, Abe has supported the claims made by many on the right in Japan that the women were not directly coerced into service by the Japanese military. When he was Prime Minister in 2006-2007, Abe voiced doubts about the validity of the 1993 “Kono Statement,” an official statement issued by then-Chief Cabinet Secretary Yohei Kono that apologized to the victims and admitted responsibility by the Japanese military. As the U.S. House of Representatives considered

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<sup>2</sup> For a lengthier discussion of the comfort women issue, please request a copy of a 2007 CRS congressional distribution memo on the topic authored by Larry Niksch.

H.Res. 121, calling on the Japanese government to “formally acknowledge, apologize, and accept historical responsibility” for forcing young women into military prostitution, Abe appeared to soften his commentary and asserted that he would stand by the statement. The House later overwhelmingly endorsed the resolution. Then-Deputy Chief Cabinet Secretary Hakubun Shimomura had been leading the movement to revise the statement; Abe recently appointed him Minister of Education, Culture, Sports, Science, and Technology.

The issue of the so-called comfort women has gained visibility in the United States, due primarily to Korean-American activist groups. These groups have pressed successfully for the erection of monuments commemorating the victims, passage of a resolution on the issue by the New York State Senate, and the naming of a city street in the New York City borough of Queens in honor of the victims. In addition, former Secretary of State Hillary Clinton reportedly instructed the State Department to refer to the women as “sex slaves,” rather than the euphemistic term “comfort women.”<sup>3</sup>

## **Territorial Dispute with China<sup>4</sup>**

Japan, China, and Taiwan all claim sovereignty over a small group of uninhabited islets located about 120 miles northeast of Taipei, known as the Senkakus in Japan, the Diaoyu in China, and the Diaoyutai in Taiwan. China considers the islets to be part of Taiwan, over which it claims sovereignty. Geologists believe that the waters surrounding them may be rich in oil and natural gas deposits. The disputed claims are long-standing, but the episodes in early 2013 escalated beyond previous incidents. In April 2012, Tokyo governor Shintaro Ishihara announced in Washington, DC, that he intended to purchase three of the five islets from their private Japanese owner. Ishihara, who is known for expressing nationalist views, called for demonstrating Japan’s control over the islets by building installations on the island and raised nearly \$20 million in private donations for the purchase. In September, the central government purchased the three islets for ¥2.05 billion (about \$26 million at an exchange rate of ¥78:\$1) to block Ishihara’s move and reduce tension with China. Protests, sometimes violent, erupted across China in response.

Starting in the fall of 2012, China began regularly deploying China Maritime Surveillance (CMS) and Fisheries Law Enforcement Command (FLEC) ships near the islands and stepped up what it called “routine” patrols to assert jurisdiction in “China’s territorial waters.” Chinese military surveillance planes reportedly have entered airspace that Japan considers its own, in what Japan’s Defense Ministry has called the first such incursion in 50 years. In early 2013, near-daily encounters have escalated: both countries have scrambled fighter jets, Japan has threatened to fire warning shots, and, according to the Japanese government, a Chinese navy ship locked its fire-control radar on a Japanese destroyer and helicopter on two separate occasions.

U.S. administrations going back at least to the Nixon Administration have stated that the United States takes no position on the territorial disputes. However, it also has been U.S. policy since 1972 that the 1960 U.S.-Japan Security Treaty covers the islets, because Article 5 of the treaty stipulates that the United States is bound to protect “the territories under the Administration of Japan” and Japan administers the islets. China’s increase in patrols appears to be an attempt to

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<sup>3</sup> “‘Comfort Women’ Were Sex Slaves,” *Chosun Ilbo*, July 13, 2012.

<sup>4</sup> For more information, see CRS Report R42761, *Senkaku (Diaoyu/Diaoyutai) Islands Dispute: U.S. Treaty Obligations*, by Mark E. Manyin.

demonstrate that Beijing has a degree of administrative control over the islets, thereby casting into doubt the U.S. treaty commitment. In its own attempt to address this perceived gap, Congress inserted in the FY2013 National Defense Authorization Act (H.R. 4310, P.L. 112-239) a resolution stating, among other items, that “the unilateral action of a third party will not affect the United States’ acknowledgment of the administration of Japan over the Senkaku Islands.” Perhaps responding to the criticism of the Administration’s rhetoric, in January 2013 Secretary Clinton stated that “we oppose any unilateral actions that would seek to undermine Japanese administration,” of the islets.

## **China-Japan Trade**

One of the side-effects of the China-Japan islands dispute has been the adverse impact on their bilateral trade, especially on Japanese exports to China. China is Japan’s most important trading partner—its largest export market and its largest source of imports—having overtaken the United States in that role long ago. The relationship developed as Japanese multinational companies established production facilities in China that assemble finished goods that are exported elsewhere, including to the United States. In addition, as Chinese citizens have become wealthier, China has become a growing market for consumer goods such as cars. Japanese exports to China declined 11% in 2012 with much of the decline occurring in the fourth quarter.<sup>5</sup> These trends are similar to those with other major partners: Japan’s exports to the United Kingdom declined 18.8% and to Germany—14.6%, reflecting moderate economic growth or slowdown and the strong yen. However, observers have noted that the political tensions caused by the confrontations over the Senkaku/Daiyou islands may have spilled over in the commercial arena. During the height of the fracas in September 2012, nationalists in China called for a boycott on Japanese goods and defaced Japanese retail stores. Japanese auto manufacturers experienced sharp declines in sales in China beginning in September 2012.<sup>6</sup> To what degree these trends are a function of politics or macroeconomic factors would require further analysis and more data.

## **Japan and the Korean Peninsula**

### **Japan’s Ties with South Korea**

After a period of relatively warm ties and the promise of more effective security cooperation, Tokyo-Seoul ties appear to have cooled anew. Under the DPJ governments and the Lee Myung-bak administration in Seoul, South Korea and Japan managed historical issues, cooperated in responding to North Korean provocations, and exchanged observers at military exercises. The two countries were on the verge of concluding two modest but significant bilateral security agreements on information sharing and military acquisitions until an anti-Japanese outcry in South Korea scuttled the signing. The new governments in both capitals appear less likely to reach out to each other, dimming U.S. hopes for more sustained trilateral cooperation among the three democracies. Policy toward North Korea has been the one issue where regular trilateral consultation persists, and the February 2013 nuclear test by North Korea will provide an opportunity for the three capitals to coordinate their response.

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<sup>5</sup> GTIS, Inc., Global Trade Atlas.

<sup>6</sup> IHS Global Insight, October 12, 2012.

In addition to the comfort women issue discussed above, the perennial issues of a territorial dispute between Japan and South Korea and Japanese history textbooks continue to periodically ruffle relations. A group of small islands in the Sea of Japan known as Dokdo in Korean and Takeshima in Japanese (referred to as the Liancourt Rocks by the United States) are administered by South Korea but claimed by Japan. Mentions of the claims in Japanese defense documents or by local prefectures routinely spark official criticism and public outcry in South Korea. Similarly, Seoul expresses disapproval of some of the history textbooks approved by Japan's Ministry of Education that South Koreans claim diminish or whitewash Japan's colonial-era atrocities.

Some of Abe's cabinet appointments have raised concern among South Koreans. Minister of Education Hakubun Shimomura has criticized history textbook companies for being insufficiently patriotic by, among other items, giving undue deference to the concerns of China and South Korea in their presentation of Japan's colonial past. Abe's appointment of Shimomura appears to signal his intent to follow through on the LDP's pre-election advocacy of reducing "self-torturing views of history" in education and of giving the central government greater authority over the content of history textbooks. Abe's Cabinet also includes Internal Affairs Minister Yoshitaka Shindo and Minister for Administrative Reform Tomomi Inada, who have aggressively asserted Japanese territorial claims, including a well-publicized attempt to visit South Korea in 2011 to advocate for Japanese sovereignty over the Dokdo/Takeshima islets.

### **North Korean Issues**

Since 2009, Washington and Tokyo have been strongly united in their approach to North Korea. Although the U.S. and Japanese positions diverged in the later years of the Bush Administration, Pyongyang's string of provocations in 2009-2010 forged a new consensus among Japan, South Korea, and the United States. North Korea's provocations have helped to drive enhanced trilateral security cooperation between Washington, Tokyo, and Seoul. Japan also appeared to be at least somewhat in synch with the United States in late 2011 and early 2012 when the Obama Administration—with the blessing of the South Korean government—was negotiating agreements with North Korea over its nuclear and missile programs and food aid. North Korea's 2012 missile launches and the February 2013 nuclear test are likely to drive closer cooperation among the three governments.

Tokyo has adopted a relatively hardline policy against North Korea and plays a leadership role at the United Nations in pushing for stronger punishment for the Pyongyang regime for its military provocations and human rights abuses. Japan has imposed a virtual embargo on all trade with North Korea. North Korea's missile tests have demonstrated that a strike on Japan is well within range, spurring Japan to move forward on missile defense cooperation with the United States. In addition to Japan's concern about Pyongyang's weapons and delivery systems, the issue of several Japanese citizens abducted by North Korean agents in the 1970s and 1980s remains a top priority for Tokyo. Japan has pledged that it will not provide economic aid to North Korea without resolution of the abductee issue. The abductee issue remains an emotional topic in Japan. In 2008, the Bush Administration's decision to remove North Korea from the list of state sponsors of terrorism in exchange for North Korean concessions on its nuclear program dismayed Japanese officials, who had maintained that North Korea's status on the list should be linked to the abduction issue. Although the abductions issue has lost potency in recent years, Abe came onto the political scene in the early 2000s as a fierce advocate for the abductees and their families and could dedicate attention to the issue.

## **March 2011 “Triple Disaster”**

On March 11, 2011, a magnitude 9.0 earthquake jolted a wide swath of Honshu, Japan’s largest island. The quake, with an epicenter located about 230 miles northeast of Tokyo, generated a tsunami that pounded Honshu’s northeastern coast, causing widespread destruction in Miyagi, Iwate, Ibaraki, and Fukushima prefectures. Some 20,000 lives were lost and entire towns were washed away; over 500,000 homes and other buildings and around 3,600 roads were damaged or destroyed. Up to half a million Japanese were displaced. Damage to several reactors at the Fukushima Dai-ichi nuclear power plant complex led the government to declare a state of emergency and evacuate nearly 80,000 residents within a 20 kilometer radius due to dangerous radiation levels.

In many respects, Japan’s response to the multifaceted disaster was remarkable. Over 100,000 troops from the Self Defense Forces (SDF), Japan’s military, were deployed quickly to the region. After rescuing nearly 20,000 individuals in the first week, the troops turned to a humanitarian relief mission in the displaced communities. Construction of temporary housing began a week after the quake. Foreign commentators marveled at Japanese citizens’ calm resilience, the lack of looting, and the orderly response to the strongest earthquake in the nation’s modern history. Japan’s preparedness—strict building codes, a tsunami warning system that alerted many to seek higher ground, and years of public drills—likely saved tens of thousands of lives.

Despite this response to the initial event, the uncertainty surrounding the nuclear reactor accident and the failure to present longer-term reconstruction plans led many to question the government’s handling of the disasters. As reports mounted about heightened levels of radiation in the air, tap water, and produce, criticism emerged regarding the lack of clear guidance from political leadership. Concerns about the government’s excessive dependence on Tokyo Electric Power Company (TEPCO), the firm that owns and operates the power plant, amplified public skepticism and elevated criticism about conflicts of interest between regulators and utilities.

## **Japan’s Nuclear Energy Policy**

Japan is undergoing a national debate on the future of nuclear power, with major implications for businesses operating in Japan, U.S.-Japan nuclear energy cooperation, and nuclear safety and non-proliferation measures worldwide. Looking back to 2006, the “New National Energy Strategy” had set out a goal of significantly increasing Japan’s nuclear power generating capacity, partly as a way to decrease dependence on foreign energy supplies and partly to decrease emissions of greenhouse gases. By 2011, nuclear power was providing roughly 30% of Japan’s power generation capacity.

The policy of expanding nuclear power encountered an abrupt reversal in the aftermath of the March 11, 2011, natural disasters and meltdowns at the Fukushima Daiichi nuclear power plant. Public trust in the safety of nuclear power collapsed, and a vocal anti-nuclear political movement emerged. This movement tapped into an undercurrent of anti-nuclear sentiment in modern Japanese society based on its legacy as the victim of atomic bombing in 1945. As the nation’s 54 nuclear reactors were shut down one by one for their annual safety inspections in the months after March 2011, the Japanese government did not restart them—except for two reactors at one site in central Japan.

The drawdown of nuclear power generation resulted in many short- and long-term consequences for Japan: rising electricity costs for residences and businesses; heightened risk of blackouts in the summer, especially in the Kansai region; widespread energy conservation efforts by businesses, government agencies, and ordinary citizens; the possible bankruptcy of major utility companies; and increased fossil fuel imports (see next section). The Institute of Energy Economics, Japan, calculated that the nuclear shutdowns led to the loss of 420,000 jobs and \$25 billion in corporate revenue in 2012.<sup>7</sup>

With prominent intellectuals and politicians calling for the end of nuclear power in Japan, the DPJ attempted to author a long-term energy policy. On September 14, 2012, the sub-Cabinet-level Energy and Environment Council announced an ambitious plan to eliminate all nuclear power generation in Japan by 2030. Leading voices in the Japanese business community harshly criticized the plan and warned of the hollowing out of Japanese industry. One week later, the Noda Cabinet announced a more flexible “Innovative Strategy for Energy and the Environment,” which pushed back the deadline for nuclear drawdown to 2040, continued the present nuclear fuel cycle policy, and allowed the completion of under-construction plants and possible reactor life-span extensions past 2040. American observers have raised concerns about losing Japan as a global partner in promoting nuclear safety and non-proliferation measures.

The LDP has promoted a relatively pro-nuclear policy, despite persistent anti-nuclear sentiment among the public. The LDP party platform for the December 2012 election called for the restart of nuclear reactors as soon as new safety regulations are implemented and promised to study Japan’s energy situation thoroughly before developing a national policy. In comments to the Diet on January 30, 2013, Abe called the DPJ’s zero-nuclear energy policy “groundless.”<sup>8</sup> Yet, 48% of the population does not agree with the Abe Cabinet’s approach to reactor restarts, compared to 46% in favor. The Abe Cabinet faces a complex challenge: how can Japan balance concerns about energy security, promotion of renewable energy sources, the viability of electric utility companies, the health of the overall economy, and public concerns about safety?

## **Exports of Liquefied National Gas (LNG) to Japan**

Japan imports more LNG than any other country and would be a large market for potential LNG exports from the United States. Due to the near-elimination of nuclear power at present, Japan has become increasingly dependent on fossil fuels for electric power generation (see previous section). Japan’s LNG imports for the year from April 2012 to March 2013 are expected to reach 90 million metric tons—an 18% increase on the previous 12 months.<sup>9</sup> Japanese utility companies are attracted to the large difference between global market prices for natural gas and the much lower price prevailing in North America. The lower price is largely a result of the recent expansion of natural gas production from shale.

The U.S. government must satisfy legal requirements before additional LNG exports from the continental United States to Japan are permitted (a relatively small amount of natural gas is currently exported to Japan from Alaska). The 2005 Energy Policy Act requires that the Department of Energy (DOE) issue a permit to export natural gas to countries with which the

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<sup>7</sup> Masakazu Toyoda. “Energy Policy in Japan: Challenges after Fukushima,” Institute of Energy Economics, Japan, presentation prepared for delivery on January 24, 2013.

<sup>8</sup> “Abe Aims for Japan to Join Child Custody Pact Soon,” *Kyodo News Agency*, January 31, 2013.

<sup>9</sup> Eric Johnston, “LNG Gains Political Value as Japan’s Needs Soar,” *Japan Times*, January 3, 2013.

United States does not have a free trade agreement (FTA), including Japan. DOE must also determine that export to non-FTA countries is in the public interest. A DOE-commissioned study concluded in December 2012 that LNG exports would produce net economic benefits for the United States, but the study has been controversial. After the study completes a 45-day public comment period, DOE will make a decision on 20 pending permits to export LNG to non-FTA countries. At present only one export terminal in the continental United States, Sabine Pass in Louisiana, has been approved. That terminal will likely begin export operations in late 2015 or early 2016.<sup>10</sup>

Members of Congress have joined the debate on LNG exports to Japan. On January 31, 2013, Senator John Barrasso introduced a bill (S. 192) “to enhance the energy security of U.S. allies” by having DOE automatically approve natural gas exports to U.S. treaty allies, regardless of their FTA status. Senator Lisa Murkowski wrote in a letter to the Secretary of Energy Steven Chu, “Exporting LNG, particularly to allies that face emergency or chronic shortages, but with whom we do not have free-trade agreements, is in the public interest.”<sup>11</sup> On the other side of the debate, Senator Ron Wyden, chairman of the Senate Energy and Natural Resources Committee, wrote in a letter to Secretary Chu, “The shortcomings of the [DOE] study are numerous and render this study insufficient for the Department to use in any export determination.”<sup>12</sup> In February 2012, Congressman Ed Markey introduced legislation (H.R. 4024) to suspend approval of LNG export terminals until 2025.

## **Japanese Participation in Sanctions on Iran**

Over the past decade, growing concerns over Iran’s nuclear program have led to increased U.S. scrutiny of Japan’s longstanding trade with and investments in Iran. Japan is the third-biggest customer for Iranian oil, and for most of the past decade Iran has been Japan’s third largest source of crude oil imports, accounting for a little over 10% of the annual total.<sup>13</sup> As part of their efforts to tighten economic penalties on Iran, the Bush and Obama Administrations have pushed Japan to curtail its economic ties with Tehran. In general, although Japan has been a follower rather than a leader in the international campaign to pressure Tehran, Japanese leaders have in recent years increased their cooperation with the U.S.-led effort, reducing significantly what had been a source of tension between Washington and Tokyo during the 1990s and early 2000s.

Most recently, in September 2012, the Obama Administration granted Japan a second exemption under P.L. 112-81, the National Defense Authorization Act for Fiscal Year 2012, which could have placed strict limitations on the U.S. operations of Japanese banks that process transactions with Iran’s Central Bank.<sup>14</sup> Japan has reduced its imports of Iranian oil over the past several

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<sup>10</sup> Alex Benedetto and Barbara Shook, “Study Pushes US LNG Exports One Step Closer to Reality,” *World Gas Intelligence*, December 12, 2012.

<sup>11</sup> Geof Koss, “With Eye on Japan, Murkowski Makes Case for Gas Exports,” *CQ Roll Call*, January 25, 2013.

<sup>12</sup> Office of Senator Ron Wyden, “Wyden Highlights Flaws in DOE Export Study,” press release, January 10, 2013, <http://www.wyden.senate.gov/news/press-releases/wyden-highlights-flaws-in-doe-export-study->.

<sup>13</sup> Iran data is from Economist Intelligence Unit, *Iran Country Report*, March 2012. Japan data is a CRS adaptation of data provided in *Japan Statistical Yearbook 2012*, Table 10-13, “Imports of Crude Oil by Region and Country.” During the same time period, Saudi Arabia and the United Arab Emirates, Japan’s two largest oil suppliers, generally accounted for approximately 29% and 25%, respectively.

<sup>14</sup> State Department Press Release, “Statement on Significant Reductions of Iranian Crude Oil Purchases,” March 20, 2012. For more on Iran sanctions, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.



years, despite its increased need for oil imports with the shutdown of virtually all of its nuclear power industry. Japan's crude oil imports from Iran fell by roughly 40% in 2012, and a further decline of 15% is projected for 2013.<sup>15</sup> Iran's share of Japan's oil market has fallen by several percentage points, to less than 8%, a level not seen since 1988.<sup>16</sup> Additionally, Japan has restricted the activities of 21 Iranian banks.<sup>17</sup>

New U.S. sanctions that went into effect on February 6, 2013, pressure banks that deal with the Iranian Central Bank to either prevent repatriation of Iran's foreign currency (non-rial) assets or else be frozen out of the U.S. financial system. Iran can still use the funds to finance trading activities not covered by sanctions, but, since it runs a large trade surplus with Japan (and other Asian oil importers), a significant portion of its oil export earnings will likely be held in Japan and other importing countries.<sup>18</sup>

Japan has taken steps on Iran in the past to cooperate with the United States. Japan announced in September 2010 that it would impose new restrictions, including a broad ban on investments in and restrictions on sales to Iran's energy sector, as well as a freeze on certain assets of Iranian banks. These steps exceeded the requirements of United Nations Security Council Resolution 1929 that sanctioned Iran. Earlier in the decade, after pressure from the Bush Administration, Japan's quasi-governmental INPEX firm dramatically scaled back its involvement in developing Iran's Azadegan oilfield. In October 2010, INPEX announced its complete withdrawal from the project and, as a result, it was granted an exemption from U.S. sanctions under a provision of the Iran Sanctions Act that was added by a July 2010 law (P.L. 111-195). In addition, several major Japanese corporations, including Toyota Motors, viewing Iran as a "controversial market," have ceased doing business in Iran even though no U.N., U.S., or Japanese government sanctions would apply to those transactions.

## **International Child Custody Disputes**

The issue of overseas Japanese women in failed marriages taking children to Japan without the consent of the foreign husband or ex-husband has become an issue in bilateral relations. Sometimes, these women have acted in contravention of custody settlements and, after arriving in Japan, have prevented the children from meeting their fathers. In recent years, both Congress and the executive branch have urged Japan to address the problem, provide access to the children to the aggrieved parents, and join the 1980 Hague Convention on the Civil Aspects of International Child Abduction.<sup>19</sup>

The increased publicity has raised awareness of the issue in Japan, particularly among Diet members. In March 2012, the Japanese government submitted a bill that would adjust domestic

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<sup>15</sup> "Corrected: Japan Nov Crude Imports from Iran Fall 20.3 Pct yr/yr—METI," *Reuters News*, January 7, 2013.

<sup>16</sup> Ministry of Internal Affairs and Communication, *Historical Statistics of Japan*, "Table 10-12 Imports of Crude Oil by Region and Country (F.Y. 1970-2003)," <http://www.stat.go.jp/english/data/chouki/index.htm>; "Table 10-13, "Imports of Crude Oil by Region and Country," in *Statistical Yearbook of Japan*, 2008, 2010, and 2012. Ministry of Economy, Trade, and Industry, "Preliminary Report on Petroleum Statistics February 2012," <http://www.meti.go.jp/english/statistics/tyo/sekiyuso/index.html>.

<sup>17</sup> Ministry of Economy, Industry, and Trade Press Release, "Addition of an Entity Subject to Accompanying Measures Implemented Pursuant to the UN Resolution Against Iran," March 13, 2012.

<sup>18</sup> "Asian Buyers to Deepen Iranian Crude Import Cuts in 2013," *Metis Energy Insider*, December 24, 2012.

<sup>19</sup> "Abe to tell Obama Japan Will Speed Up Steps to Join Hague Convention," *Kyodo News*, January 16, 2013.

law to allow Tokyo to accede to the Convention. However, the Diet did not vote on the bill in 2012 due to reservations in both the opposition and ruling parties and preoccupation with other legislative issues. The government of Prime Minister Abe in 2013 declared its intent to follow through on accession to the Hague Convention with the “aim to conclude the treaty early.”

With cases involving approximately 100 American children, the United States reportedly has the largest number of such disputes with Japan. Legally, Japan only recognizes sole parental authority, under which only one parent has custodial rights, and there is a deep-rooted notion in Japan that the mother should assume custody. Japanese officials say that, in many cases, the issue is complicated by accusations of abuse or neglect on the part of the foreign spouse, though a senior U.S. State Department official has said that there are “almost no cases” of substantiated claims of violence.<sup>20</sup> Some observers fear that, even if Japan signs the Hague Convention, it is unlikely to enforce the treaty’s provisions, given the existing family law system.<sup>21</sup>

## **U.S. World-War II-Era Prisoners of War (POWs)**

For decades, U.S. soldiers who were held captive by Imperial Japan during World War II have sought official apologies from the Japanese government for their treatment. A number of Members of Congress have supported these campaigns. The brutal conditions of Japanese POW camps have been widely documented.<sup>22</sup> In May 2009, Japanese Ambassador to the United States Ichiro Fujisaki attended the last convention of the American Defenders of Bataan and Corregidor to deliver a cabinet-approved apology for their suffering and abuse. In 2010, with the support and encouragement of the Obama Administration, the Japanese government financed a Japanese/American POW Friendship Program for former American POWs and their immediate family members to visit Japan, receive an apology from the sitting Foreign Minister and other Japanese Cabinet members, and travel to the sites of their POW camps. Annual trips were held in 2010, 2011, and 2012.<sup>23</sup> It is unclear whether the Abe government will continue the program. It is also unclear if Abe and other LDP politicians’ suggestions that past Japanese apologies should be reworded or retracted include the apologies to the U.S. POWs.

In the 112<sup>th</sup> Congress, three resolutions—S.Res. 333, H.Res. 324, and H.Res. 333—were introduced thanking the government of Japan for its apology and for arranging the visitation program.<sup>24</sup> The resolutions also encouraged the Japanese to do more for the U.S. POWs,

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<sup>20</sup> U.S. State Department, “Press Availability on International Parental Child Abduction, Kurt M. Campbell, Assistant Secretary, Bureau of East Asian and Pacific Affairs,” February 2, 2010.

<sup>21</sup> Leah Hyslop, “Hope for Parents Denied Access to Children in Japan,” *The Telegraph*, March 19, 2012.

<sup>22</sup> By various estimates, approximately 40% percent held in the Japanese camps died in captivity, compared to 1%-3% of the U.S. prisoners in Nazi Germany’s POW camps. Thousands more died in transit to the camps, most notoriously in the 1942 “Bataan Death March,” in which the Imperial Japanese military force-marched almost 80,000 starving, sick, and injured Filipino and U.S. troops over 60 miles to prison camps in the Philippines. For more, see CRS Report RL30606, *U.S. Prisoners of War and Civilian American Citizens Captured and Interned by Japan in World War II: The Issue of Compensation by Japan*, by Gary Reynolds, currently out of print but available from the co-authors of this report. Estimates of the death rates in German prison camps for POWs are in the low single digits, compared to rates near 40% for Imperial Japanese camps.

<sup>23</sup> For more on the program, see <http://www.us-japandialogueonpows.org/>. Since the mid-1990s, Japan has run similar programs for the POWs of other Allied countries.

<sup>24</sup> S.Res. 333 (Feinstein) was introduced and passed by unanimous consent on November 17, 2011. H.Res. 324 (Honda) and H.Res. 333 (Honda) were introduced on June 22, 2011, and June 24, 2011, respectively, and referred to the House Foreign Affairs Subcommittee on Asia and the Pacific.

including by continuing and expanding the visitation programs as well as its World War II education efforts. They also called for Japanese companies to apologize for their or their predecessor firms' use of un- or inadequately compensated forced prison laborers during the war.

## **Alliance Issues<sup>25</sup>**

Japan and the United States are military allies under a security treaty concluded in 1951 and revised in 1960. Under the treaty, Japan grants the United States military base rights on its territory in return for a U.S. pledge to protect Japan's security. Although defense officials had hoped that the 50<sup>th</sup> anniversary of the treaty would compel Tokyo and Washington to enhance bilateral defense cooperation, a rocky start by the Democratic Party of Japan (DPJ) government generated concern about the future of the alliance. The coordinated response to the March 2011 disaster by the U.S. and Japanese militaries made a strong statement about the strength and the value of the bilateral alliance, and commitment from top U.S. leadership to assist the nation in its recovery may have assuaged fears that the alliance was adrift after a series of public disagreements. On the other hand, the crisis response did little to change the fundamental challenges of the thorny base relocation issue in Okinawa. Although the governments have now amended the plan to allow several thousand marines to depart Okinawa in order to ease local frustrations, fundamental questions about the existence of problematic military facilities and the political sustainability of the Marine Corps presence on the island remain.

## **Futenma Base Relocation Controversy<sup>26</sup>**

A prominent controversy over the relocation of a Marine Corps base in Okinawa has consumed the alliance for years. While a comprehensive resolution remains elusive, the two governments have adjusted the plan in a way that removes the issue from the center of the security relationship. The 2006 agreement between the U.S. and Japanese governments to relocate the Futenma Marine Corps Air Station from its current location in crowded Ginowan City to Camp Schwab, in a less congested part of the island, was envisioned as the centerpiece of a planned realignment of U.S. forces in Japan.<sup>27</sup> Under the original agreement, the United States would redeploy 8,000 marines and their dependents from Okinawa to Guam in exchange for progress on constructing the new Marine Corps facility at Camp Schwab, located offshore of the Henoko area of Nago City. Problematic from the start, the base relocation developed into a major point of contention between Tokyo and Washington after Yukio Hatoyama became Prime Minister in 2009; Hatoyama had promised Okinawans during his election campaign that he would oppose the relocation. Although Hatoyama and his DPJ successors all eventually endorsed the plan, local opposition and management missteps by Tokyo appeared to render the plan unworkable.

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<sup>25</sup> For more information on the U.S.-Japan alliance, see CRS Report RL33740, *The U.S.-Japan Alliance*, by Emma Chanlett-Avery.

<sup>26</sup> For more information, see CRS Report R42645, *The U.S. Military Presence in Okinawa and the Futenma Base Controversy*, by Emma Chanlett-Avery and Ian E. Rinehart.

<sup>27</sup> Per the agreement, the redeployment of roughly half of the III Marine Expeditionary Force (III MEF) to new facilities in Guam would lead to the return of thousands of acres of land to Japan. Japan agreed to pay around 60% of the \$10.3 billion estimated costs. After years of negotiations, U.S. and Japanese officials settled on Camp Schwab because of its location in Henoko, a far less congested area of Okinawa.

To remove impediments to the realignment of U.S. forces, the United States and Japan changed their agreement in April 2012 by “de-linking” the transfer of marines off Okinawa with progress on the new base in Henoko. In order to ease the burden on Okinawan residents, about 9,000 marines and their dependents would be transferred to locations outside of Japan: to Guam, Hawaii, on a rotational basis to Australia, and perhaps elsewhere. Alliance officials described the move as in line with their goal of making U.S. force posture in Asia “more geographically distributed, operationally resilient, and politically sustainable.”<sup>28</sup>

After the announcement, Senators Carl Levin, John McCain, and Jim Webb, who had together criticized the realignment plan as “unrealistic, unworkable, and unaffordable,”<sup>29</sup> and wrote in a letter to Defense Secretary Leon Panetta, “No new basing proposal can be considered final until it has the support of Congress.”<sup>30</sup> Concern about the ballooning costs of the Guam construction and uncertainty about the future U.S. force posture in the Asia-Pacific region drove Congress to zero out the Administration’s request for related military construction funding in the FY2012 and FY2013 National Defense Authorization Acts, P.L. 112-81 and P.L. 112-239. The Acts prohibit authorized funds, as well as funds provided by the Japanese government for military construction, from being obligated to implement the planned realignment of Marine Corps forces from Okinawa to Guam until certain justifications and assessments are provided.

Significant obstacles remain in Japan as well. Public opposition has hardened considerably in Okinawa, with all the major political figures involved in the new base construction process declaring opposition to the plan. The deployment of the MV-22 Osprey tilt-rotor aircraft to the Futenma base in summer 2012 heightened safety concerns of nearby residents, and a string of crimes committed by U.S. servicemembers in late 2012 further inflamed local resentments. The fundamental problem of hosting foreign troops on a crowded urban landscape and the sense of grievance that the Okinawans in particular have harbored for decades seems unlikely to fade. The current controversy reflects a fundamental tension in the relationship between Okinawa and the central government in Tokyo: while the entire country reaps the benefits of the U.S. security guarantee, Okinawans bear a disproportionate burden. The April 2012 announcement that the U.S. and Japanese governments will undertake long-deferred repairs on Futenma raised suspicions that the base will remain indefinitely.

## **Progress on Other Elements of Military Realignment and Alliance Transformation**

The relocation of Futenma air station is the largest and most controversial part of a broad overhaul of U.S. force posture in Japan and bilateral military activities, but it is not the only element. In 2002, the U.S. and Japanese governments launched the Defense Policy Review Initiative (DPRI) to review force posture and develop a common security view between the two sides. With the exception of the Henoko relocation, the plan has been largely successful. A

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<sup>28</sup> “Joint Statement of the Security Consultative Committee,” State Department Media Note, April 26, 2012, <http://www.state.gov/r/pa/prs/ps/2012/04/188586.htm>.

<sup>29</sup> “Senators Levin, McCain, Webb Call for Examination of Military Basing Plans in East Asia,” Press Release from Senator McCain’s office, May 11, 2011, [http://www.mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.PressReleases&ContentRecord\\_id=e00453cd-c883-65d2-f9c3-489463b38af1](http://www.mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.PressReleases&ContentRecord_id=e00453cd-c883-65d2-f9c3-489463b38af1).

<sup>30</sup> “Senators Levin, McCain and Webb Express Concern to Secretary Panetta Regarding Asia-Pacific Basing Tuesday,” Press Release from Senator Levin’s office, April 24, 2012, <http://www.levin.senate.gov/newsroom/press/release/senators-levin-mccain-and-webb-express-concern-to-secretary-panetta-regarding-asia-pacific-basing/?section=alltypes>.

training relocation program allows U.S. aircraft to conduct training away from crowded base areas to reduce noise pollution for local residents. U.S. Carrier Air Wing Five is being relocated from Atsugi Naval Air base to the Iwakuni base, where a new dual-use airfield is operational. In 2010, U.S. Army Japan established at Camp Zama (about 25 miles southwest of Tokyo) a forward operational headquarters, which can act as a bilateral joint headquarters to take command of theater operations in the event of a contingency. The SDF Air Defense Command facility at Yokota U.S. Air Base was recently completed. Since 2006, a bilateral joint operations center at Yokota allows for data-sharing and coordination between the Japanese and U.S. air and missile defense command elements. In June 2011, Japan announced a long-sought agreement to allow the transfer of jointly developed missile components to third parties, representing an exception to Japan's ban on arms exports.

## **Deployment of the MV-22 Osprey Aircraft to Japan**

The U.S. Marine Corps is replacing the 24 CH-46E "Sea Knight" helicopters stationed at the Futenma base with 24 MV-22 "Osprey" tilt-rotor aircraft. The deployment of the first 12 Osprey aircraft to Japan in mid-2012 created a public outcry in Okinawa and mainland base-hosting communities. Japanese politicians and civil society groups strongly opposed introduction of MV-22 to Japan due to the aircraft's safety record.<sup>31</sup> The crashes of V-22 tilt-rotor aircraft in training exercises in Morocco and Florida in early 2012 reminded Okinawans of the U.S. military helicopter crash on the grounds of a school near Futenma Air Station in August 2004. In response to these concerns, the Japanese Ministry of Defense conducted its own investigation of the aircraft's safety. The investigation cleared the MV-22 for deployment, but Japan requested that Osprey pilots adhere to a set of operational guidelines to reduce the risk of accidents in populated areas. Intense public scrutiny of the aircraft's safety record may be connected to widespread distrust of the government stemming from the nuclear disaster at the Fukushima Daichi reactors. The introduction of these advanced aircraft to Okinawa reportedly will enhance the operational capability of the Marines based there, particularly in a rapid response scenario.

## **March 2011 Earthquake and Tsunami: U.S.-Japan Alliance Performance**

Appreciation for the alliance surged after the two militaries worked effectively together to respond to the 2011 earthquake and tsunami. Years of joint training and many interoperable assets facilitated the integrated alliance effort. "Operation Tomodachi," using the Japanese word for "friend," was the first time that SDF helicopters used U.S. aircraft carriers to respond to a crisis. The USS *Ronald Reagan* aircraft carrier provided a platform for air operations as well as a refueling base for Japanese SDF and Coast Guard helicopters. Other U.S. vessels transported SDF troops and equipment to the disaster-stricken areas. Communication between the allied forces functioned effectively, according to military observers. For the first time, U.S. military units operated under Japanese command in actual operations. Specifically dedicated liaison officers helped to smooth communication. Although the U.S. military played a critical role, the Americans were careful to emphasize that the Japanese authorities were in the lead.

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<sup>31</sup> During its development phase, the Osprey suffered several highly publicized crashes. Since the aircraft achieved initial operational capability in 2007, the Class-A mishap rate is slightly better than the Marine Corps average. See the CRS Report RL31384, *V-22 Osprey Tilt-Rotor Aircraft Program*, by Jeremiah Gertler for more information.

The successful bilateral effort held several important consequences. First, it reinforced alliance solidarity after a somewhat difficult period of public disagreement over the Futenma base issue. It was also very well-received by the Japanese public, leading to exceptionally high approval ratings of both the SDF performance and the U.S. relief efforts. The operation demonstrated to others the capability of the alliance. It also illuminated challenges that the two militaries might face if responding to a contingency in the defense of Japan in which an adversary were involved, including having more secure means of communication as multiple agencies and services mobilized resources.<sup>32</sup>

## **Constitutional Constraints**

Several legal factors restrict Japan's ability to cooperate more robustly with the United States. The most prominent and fundamental restriction is Article 9 of the Japanese constitution, drafted by American officials during the post-war occupation, that outlaws war as a "sovereign right" of Japan and prohibits "the right of belligerency." It stipulates that "land, sea, and air forces, as well as other war potential will never be maintained." However, Japan has interpreted this clause to mean that it can maintain a military for national defense purposes and, since 1991, has allowed the SDF to participate in non-combat roles overseas in a number of U.N. peacekeeping missions and in the U.S.-led coalition in Iraq.

The principle of "collective self-defense" is also considered an obstacle to close defense cooperation. The term comes from Article 51 of the United Nations Charter, which provides that member nations may exercise the rights of both individual and collective self-defense if an armed attack occurs. The Japanese government maintains that Japan has the sovereign right to engage in collective self-defense, but a 1960 decision by the Cabinet Legislation Bureau interpreted the constitution to forbid collective actions because they would exceed the minimum necessary use of force to defend Japan itself. Participation in non-combat logistical operations and rear area support of other nations, however, has been considered outside the realm of collective self-defense. Prime Minister Abe has repeatedly proposed that this restriction be reconsidered, a move that has been welcomed by U.S. officials in the past.

During the deployment of Japanese forces to Iraq, the interpretation prevented the SDF from defending other nations' troops. Some Japanese critics have charged that Japanese Aegis destroyers should not use their radar in the vicinity of American warships, as they would not be allowed to respond to an incoming attack on those vessels. As the United States and Japan increasingly integrate missile defense operation, the ban on collective self-defense also raises questions about how Japanese commanders will gauge whether American forces or Japan itself is being targeted. Under the current interpretation, Japanese forces could not respond if the United States were attacked.

## **Burden-Sharing Issues**

In December 2010, Japan agreed to continue Host Nation Support (HNS), the funds provided to contribute to the cost of stationing U.S. troops in Japan, at current levels for the next five years, starting in FY2011. The agreement came as a compromise, as the government of then-Prime

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<sup>32</sup> See "Partnership for Recovery and a Stronger Future; Standing with Japan after 3-11," [http://csis.org/files/publication/111026\\_Green\\_PartnershipforRecovery\\_Web.pdf](http://csis.org/files/publication/111026_Green_PartnershipforRecovery_Web.pdf).

Minister Naoto Kan had been pressured to cut Japan's contribution due to Japan's ailing fiscal health. Japan pays for most of the salaries of about 25,000 Japanese employees at U.S. military installations. The current agreement calls for Japan to pay about 188 billion yen annually (about \$2.2 billion at 82 yen to one USD) through FY2016 to defray the costs of stationing troops in Japan. The agreement also commits to reducing the number of Japanese nationals working for the U.S. military and affirms that the proportion of utility costs paid by the Japanese government will fall from 76% to 72% over a five-year period.

## **Extended Deterrence**

Another source of strategic anxiety in Tokyo concerns the U.S. extended deterrence, or “nuclear umbrella,” for Japan. The Bush Administration's shift in negotiations with Pyongyang triggered fears in Tokyo that Washington might eventually accept a nuclear armed North Korea and thus somehow diminish the U.S. security guarantee for Japan. These anxieties have persisted despite repeated statements by both the Bush and Obama Administrations to reassure Tokyo of the continued U.S. commitment to defend Japan. However, Japan's sense of vulnerability is augmented by the fact that its own ability to deter threats is limited by its largely defensive-oriented military posture. Given Japan's reliance on U.S. extended deterrence, Tokyo is wary of any change in U.S. policy—however subtle—that might alter the nuclear status quo in East Asia.

## **Japan's Counter-Piracy Mission in the Gulf of Aden**

Japan's military, known as the Self-Defense Force (SDF), has been engaged in counter-piracy activities in the Gulf of Aden since March 2009. Approximately 400 personnel are stationed in Djibouti and currently housed in Camp Lemonier, the large U.S. military base located close to Djibouti's airport. In April 2010, the Japanese government announced plans to build its own \$40 million facility in Djibouti, effectively establishing an overseas base for its military. Although this would be Japan's first foreign base since World War II, the move has sparked little controversy among the generally pacifist Japanese public.

Figure 2. Map of U.S. Military Facilities in Japan



Source: Map Resources. Adapted by CRS.

## Economic Issues<sup>33</sup>

Trade and other economic ties with Japan remain highly important to U.S. national interests and, therefore, to the U.S. Congress.<sup>34</sup> By the most conventional method of measurement, the United States and Japan are the world's largest and third-largest economies (China is number two), accounting for around 30% of the world's gross domestic product (GDP) in 2012. Furthermore, their economies are intertwined by trade in goods and services and by foreign investments.

<sup>33</sup> This section was written by William Cooper.

<sup>34</sup> For a more complete treatment of U.S.-Japan economic ties, see CRS Report RL32649, *U.S.-Japan Economic Relations: Significance, Prospects, and Policy Options*, by William H. Cooper.



## Overview of the Bilateral Economic Relationship

Japan is an important economic partner of the United States, but its importance has slid as it has been edged out by other partners. Japan was the United States' fourth-largest merchandise export market (behind Canada, Mexico, and China) and the fourth-largest source for U.S. merchandise imports (behind China, Canada, and Mexico) at the end of 2012. These numbers probably underestimate the importance of Japan in U.S. trade since Japan exports intermediate goods to China that are then used to manufacture finished goods that China exports to the United States.

The United States was Japan's second-largest export market and second-largest source of imports as of the end of 2012. The global economic downturn had a significant impact on U.S.-Japan trade: both exports and imports declined in 2009 from 2008. U.S.-Japan bilateral trade has increased since 2009 reflecting the recovery, albeit weak, from the economic downturn. (See **Table 1.**)

**Table 1. U.S. Merchandise Trade with Japan, Selected Years**  
(\$ billions)

Year	Exports	Imports	Balances
1995	64.3	123.5	-59.1
2000	65.3	146.6	-81.3
2003	52.1	118.0	-66.0
2004	54.4	129.6	-75.2
2005	55.4	138.1	-82.7
2006	59.6	148.1	-88.4
2007	62.7	145.5	-82.8
2008	66.6	139.2	-72.3
2009	51.2	95.9	-44.8
2010	60.5	120.3	-59.8
2011	66.2	128.8	-62.2
2012	70.0	146.4	-76.3

**Source:** U.S. Commerce Department, Census Bureau. FT900. Exports are total exports valued on a free alongside ship (f.a.s.) basis. Imports are general imports valued on a customs basis.

Despite some outstanding issues, tensions in the U.S.-Japan bilateral economic relationship have been much lower than was the case in the 1970s, 1980s, and early 1990s. A number of factors may have contributed to this trend:

- Japan's slow, if not stagnant, economic growth, which began with the burst of the asset bubble in the latter half of the 1990s and continued as a result of the 2008-2009 economic downturn and the 2011 disasters, has changed the general U.S. perception of Japan from one as an economic competitor to one as a "humbled" economic power;
- the rise of China as an economic power and trade partner has caused U.S. policymakers to shift attention from Japan to China as a source of concern;

- the increased use by both Japan and the United States of the WTO as a forum for resolving trade disputes has de-politicized disputes and helped to reduce friction;
- shifts in U.S. and Japanese trade strategies that have expanded the formation of bilateral and regional trade areas with other countries has lessened the focus on their bilateral ties; and
- the rise of China as a military power and the continued threat of North Korea have forced U.S. and Japanese leaders to give more weight to security issues within the bilateral alliance.

Japan was hit by two economic crises in the last few years that affected U.S.-Japan economic relations. The first was the global financial crisis which began to hit in 2008 and intensified in 2009. Japan was hit hard by the decline in global demand for its exports, particularly in the United States and Europe. Japan had become dependent on net export growth as the engine for overall GDP growth, as domestic consumer demand and investment lagged.

The second crisis was the March 11, 2011, earthquake, tsunami, and nuclear accidents in northeast Japan. (See section on the March 2011 “Triple Disaster.”) The Japanese government has responded with a series of four supplemental fiscal packages to finance reconstruction. The implementation of the reconstruction efforts has been slower than expected, dampening the stimulus effect on economic growth. In addition the country has had to cope with electricity shortages and search for alternative sources of power, including increased fossil fuel imports.

The two crises and the economic problems in Europe, among other factors, have adversely affected Japan’s economic growth. Japan incurred growth rates of -1.1% in 2008 and -5.5% in 2009 but recovered in 2010 to expand by 4.7%. That recovery proved short-lived as Japan experienced -0.5% growth in 2011 and an estimated 1.8% in 2012. The Economist Intelligence Unit forecasts weak economic growth in Japan for the next few years.<sup>35</sup>

Prime Minister Abe has made it a priority of his administration to grow the economy and to eliminate deflation, which has plagued Japan for many years. On assuming power, Abe’s government announced a \$122 billion stimulus package aimed at spending on infrastructure, particularly in areas affected by the March 2011 disasters. While the package is expected to boost growth somewhat, it will also add to Japan’s already large public debt.<sup>36</sup> In addition, the ostensibly independent Bank of Japan (Japan’s central bank) announced a continued loose monetary policy with interest rates of 0% , quantitative easing measures, and a target inflation rate of 2%.<sup>37</sup>

A likely by-product of these measures will be weakening of the yen. For the past five years, the yen had exhibited unprecedented strength in terms of the dollar. In January 2007 the yen’s average value was ¥120.46=\$1 during the month, but after rapid appreciation, it reached as high as ¥76.65=\$1 in October 2011. Since that time, it has depreciated somewhat to ¥89.10=\$1 in January 2013. The relatively strong yen was a result of investors seeking a safe haven from financial turmoil in the Eurozone and of carry-trading (investors borrowing in currencies with

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<sup>35</sup> Economist Intelligence Unit, *Country Report: Japan*, February 2013, p. 34.

<sup>36</sup> Ibid., p.25.

<sup>37</sup> Ibid., p.27.

low interest rates and lending in high interest rates profiting from the difference). The strong yen made Japanese exports more expensive and imports less expensive causing Japan to experience trade deficits for the first time in many years. Some governments have already charged that Japan's monetary actions will spark a currency war because other countries will try to counter the trade effects of a weaker yen.<sup>38</sup>

## **Bilateral Trade Issues**

### **Japan's Ban on U.S. Beef<sup>39</sup>**

On February 1, 2013, the Japanese government loosened its restrictions on beef imports from the United States to allow beef from cattle 30 months or younger for the first time since December 2003. According to a joint press release from the Office of the United States Trade Representative and the Department of Agriculture, the Japanese government's Food Safety Commission would continue to monitor shipments of U.S. beef and would consider the possibility of allowing U.S. beef from cattle of any age to be imported into Japan. These steps would appear to provide the opportunity for growth in U.S. beef imports to Japan and to resolve an issue that had been a major irritant in the bilateral trade relationship.

The issue arose in December 2003 when Japan imposed a ban on imported U.S. beef in response to the discovery of the first U.S. case of bovine spongiform encephalopathy (BSE or "mad cow disease") in Washington State. In the months before the diagnosis in the United States, nearly a dozen Japanese cows infected with BSE had been discovered, creating a scandal over the Agricultural Ministry's handling of the issue (several more Japanese BSE cases have since emerged). Japan had retained the ban despite ongoing negotiations and public pressure from Bush Administration officials, a reported framework agreement (issued jointly by both governments) in October 2004 to end it, and periodic assurances afterward by Japanese officials to their U.S. counterparts that it would be lifted soon.

In December 2005 Japan lifted the ban after many months of bilateral negotiations but re-imposed it in January 2006 after Japanese government inspectors found bone material among the first beef shipments. The presence of the bone material violated the procedures U.S. and Japanese officials had agreed upon that allowed the resumption of the U.S. beef shipments in the first place. The then-U.S. Secretary of Agriculture Mike Johanns expressed regret that the prohibited material had entered the shipments.

### **Japan and the Trans-Pacific Partnership Agreement (TPP)**

The TPP is an evolving regional free trade agreement (FTA). Originally formed as an FTA among Singapore, New Zealand, Chile, and Brunei (who were known as the P-4), the TPP is now an agreement under negotiation among the original four countries plus the United States, Australia, Canada, Mexico, Peru, Malaysia, and Vietnam. The TPP partners have conducted 15 rounds of negotiations, and the next round is scheduled to take place in May 2013 in Singapore. The negotiators envision a comprehensive arrangement to liberalize a broad range of trade and trade-

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<sup>38</sup> Ferguson, Niall, "Global Currency Wars Are Best Fought on the Quiet," *Financial Times*, January 26-27, 2013, p.7.

<sup>39</sup> For more information, see CRS Report RS21709, *Mad Cow Disease and U.S. Beef Trade*, by Charles E. Hanrahan and Geoffrey S. Becker.

related activities. But they also envision the TPP to be a “21<sup>st</sup> century” framework for conducting trade within the Asia-Pacific region and, therefore, addressing cross-cutting issues that are relevant now and will be in the future. These issues include regulatory coherence; competitiveness and business facilitation, also known as transnational supply and production chains; issues pertaining to small and medium-sized companies; economic development; and the operations of state-owned enterprises. Therefore, while the TPP countries negotiate the agreement, they expect that other economies in the region will seek to join in those negotiations or will accede to the agreement after it has been concluded.

As the second largest East Asian economy and a crucial link in the Asian production networks, Japan would be a strategically and economically important candidate. Japan’s participation in the TPP was, and continues to be, the subject of debate within Japan’s political leadership and among other stakeholders.

The bilateral consultations with Japan on its possible participation in the TPP negotiations have been ongoing. However, the possibility of the United States and Japan participating in an FTA has refocused attention on and raised concerns about long-standing, deep-seated, and difficult issues. For example, U.S. auto manufacturers have argued for many years that the Japanese market is inhospitable to imports of cars made by the big three Detroit-based auto manufacturers. The manufacturers cite, in particular, Japanese tax regimes and safety regulations that discriminate against imported vehicles.<sup>40</sup>

U.S. insurance providers have asserted that they are at a competitive disadvantage vis-à-vis the insurance subsidiary of Japan Post, the government-owned postal system, in marketing some types of insurance (see below). Industry representatives and some Members of Congress have stated that the United States should not welcome Japan into the TPP unless Japan deals with the issues satisfactorily. However, U.S. companies in other sectors, such as agriculture, see TPP as an opportunity to improve their access to the large Japanese market and, at the same time, create a more significant agreement with Japan’s entrance.

Even before resolving issues with the United States and the other TPP partners, Japan must resolve its internal political debate on whether to enter the TPP negotiations. For years, opposition to the TPP from a vocal agricultural sector and political paralysis prevented the DPJ from reaching a final agreement on whether to participate in the TPP negotiations. Similar considerations affect the LDP. The LDP, which is heavily reliant upon support from agricultural interests, has said it is opposed to entering the agreement if it does not allow for some exemptions. Many observers believe that Prime Minister Abe personally would like Japan to join the talks. However, he is unlikely to try to do so before Japan’s Upper House elections in July 2013. A decision to push for TPP participation would likely galvanize the TPP’s well-organized opponents in Japan and split the LDP, leading to its defeat in the election. Yet, if Japan does not join negotiations soon, it could lose its chance to influence the terms of the agreement. The 11 TPP countries have announced their intention to complete a final agreement text by October 2013.

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<sup>40</sup> The Center for Automotive Research produced a study sponsored by Ford Motor Co. that suggests that including Japan in the TPP would lead to the loss of three million U.S. jobs. Center for Automotive Research, *The Effects a U.S. Free Trade Agreement Would Have on the U.S. Automotive Industry*, August 21, 2012.

While considering participation in the TPP, Japan is pursuing or considering other regional trade arrangements. On November 20, 2012, Japanese, Chinese, and South Korean trade ministers announced the launching of negotiations on a trilateral FTA. The negotiations are to begin in early 2013. The scope of the possible agreement remains undefined but would likely not match the ambition of the TPP. Market access for agricultural products will likely be a point of contention as the small but vocal agriculture interests in South Korea and Japan confront the possibility of increased rice imports from China under an FTA arrangement.<sup>41</sup>

In addition, Japan, along with the 10 members of the Association of Southeast Asian Nations (ASEAN), China, South Korea, Australia, New Zealand, and India, announced on November 20, 2012, their intention to begin negotiations to form a trade arrangement—the Regional Comprehensive Economic Partnership (RCEP). While not ostensibly in conflict with the TPP, some have suggested the RCEP could be a less ambitious alternative to the more comprehensive TPP. While RCEP would include some TPP partners, it is noteworthy for the absence of the United States and the inclusion of China.<sup>42</sup>

## **Insurance**

Japan is the world's second largest insurance market, next to the United States. U.S.-based insurance providers have found it difficult to access the Japanese market especially in life and annuity insurance. They have been concerned about favorable regulatory treatment that the government gives to the insurance subsidiary of Japan Post, the national postal system that holds a large share of this market. For example, they cite subsidies to the insurance operations from revenues from other Japan Post operations. Also, Japan Post-owned insurance companies are not subject to the same regulations as other, privately-owned insurance providers, both domestic and foreign-owned. On October 1, 2007, the government of then-Prime Minister Junichiro Koizumi introduced reforms as part of a privatization process. However, the successor government, led by the Democratic Party of Japan (DPJ), took steps to roll back the reforms. On April 27, 2012, the Diet passed legislation that appears to loosen regulatory requirements, according to U.S. industry sources.<sup>43</sup> The bill is reportedly a compromise package by the lawmakers from the DPJ, the LDP, and the Komeito Party.<sup>44</sup> The United States is also concerned about insurance sold by cooperatives that, they claim, are regulated more leniently than private firms. The United States considers Japan's treatment insurance to be a confidence-building measure that must be addressed if Japan is to be considered for participation in the TPP.

## **“Zeroing”**

On January 10, 2008, Japan requested permission from the WTO to impose sanctions on U.S. imports valued at around \$250 million in retaliation for the failure of the United States to comply with a January 2007 WTO decision against the U.S. practice of “zeroing” in antidumping duty determinations. The practice of zeroing is one under which the U.S. Department of Commerce treats prices of targeted imports that are above fair market value as zero dumping margin rather

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<sup>41</sup> *International Trade Reporter*, May 31, 2012.

<sup>42</sup> See, for example, Pakpahan, Beginda, “Will RCEP Compete with the TPP?” *EastAsiaForum*, <http://www.eastasiaforum.org>.

<sup>43</sup> *Inside U.S. Trade*, April 27, 2012.

<sup>44</sup> *World Trade Online*, April 5, 2012.

than a negative margin. It results in higher overall dumping margins and U.S. trading partners have claimed and the WTO has ruled that the practice violates WTO rules.<sup>45</sup> On April 24, 2009, a WTO compliance panel agreed with Japan that the United States was not in compliance with the original WTO ruling. On August 18, 2009, the WTO Appellate Body, having heard the U.S. appeal of the compliance panel decision, announced its decision that the United States was not in compliance with the earlier determination, thus upholding the compliance panel decision, opening the way for Japanese sanctions against the United States.<sup>46</sup> On May 5, 2010, Japan asked the WTO to proceed with determining if Japan can impose the sanctions. However, the United States and Japan decided to try to resolve the issue informally and requested that the WTO arbitration panel suspend its work until September 8, 2011, at which time the suspension would terminate and the panel would proceed.<sup>47</sup> Japan subsequently announced that it would postpone reactivation of the proceeding until November 7.<sup>48</sup> On February 6, 2012, the Office of the USTR announced that the United States had reached an agreement with Japan whereby the United States would end the use of zeroing in its antidumping duty calculations and would also recalculate antidumping duty margins in certain cases involving Japanese imports. Japan would withdraw its request for permission to impose sanctions against the United States. A similar agreement was reached with the European Union.

## **The Doha Development Agenda**

Japan and the United States had been major supporters of the Doha Development Agenda (DDA), the latest round of negotiations in the WTO. Yet, the two countries had taken divergent positions in some critical areas of the agenda. For example, the United States, Australia, and other major agricultural exporting countries pressed for the reduction or removal of barriers to agricultural imports and subsidies of agricultural production, a position strongly resisted by Japan and the European Union. At the same time, Japan and others have argued that national antidumping laws and actions that member countries have taken should be examined during the DDA, with the possibility of changing them, a position that the United States has opposed.

In July 2006, WTO Director-General Pascal Lamy suspended the negotiations because, among other reasons, the major participants could not agree on the modalities that negotiators would use to determine how much they would liberalize their agricultural markets and reduce agricultural subsidies. Negotiators met from time to time to try to resuscitate the talks. However, Lamy's attempt to hold a ministerial meeting in December 2008 failed when the major parties to the negotiations could not resolve their differences, and the DDA negotiations have been dormant since. Japan and the United States are among the countries exploring other options, such as a plurilateral services agreement, expansion of the information technology agreement, and improvement in trade facilitation.

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<sup>45</sup> *International Trade Reporter*, January 17, 2008.

<sup>46</sup> *International Trade Reporter*, July 23, 2009.

<sup>47</sup> *International Trade Daily*, December 16, 2010.

<sup>48</sup> *Inside U.S. Trade*, September 16, 2011.

## Japanese Politics<sup>49</sup>

### **The December 2012 Elections: A Landslide Without a Mandate for the LDP**

Since 2007, Japanese politics has been plagued by instability. Six men have been prime minister, including the current occupant of the post, Shinzo Abe (born in 1954), who was also prime minister for a twelve-month period from 2006-2007. The LDP's dominant victory in the December 2012 Lower House elections swept the party back into power. However, in the view of most observers—and even many in the LDP—the results were more attributable to voters' desire to eject the Democratic Party of Japan (DPJ) from power rather than enthusiasm for the LDP or its policy proposals.<sup>50</sup> Indeed, by some measures, the LDP garnered *less* support than in the last Lower House election, in 2009. Nonetheless, it was able to secure a commanding number of seats because of one of the lowest turnouts (59%) in the post-World War II era and the splitting of the anti-LDP vote among the DPJ and a number of new or relatively new parties.

In two ways, the December elections are likely to partially break some of the logjams that for more than half a decade have paralyzed Japan's political system and have complicated U.S.-Japan coordination on a number of issues. First, since 2007, no party has controlled both the Lower and Upper Houses of the Diet for more than a few months. Currently, the LDP and its coalition partner, New Komeito, together form the largest bloc in the Upper House, which will make it easier for the Abe government to pass legislation than its recent predecessors. Second, the two parties won enough seats in December to form a "super majority" (i.e. two-thirds) in the Lower House, so that even if they cannot secure an Upper House majority, they could override the Upper House's actions and pass legislation.

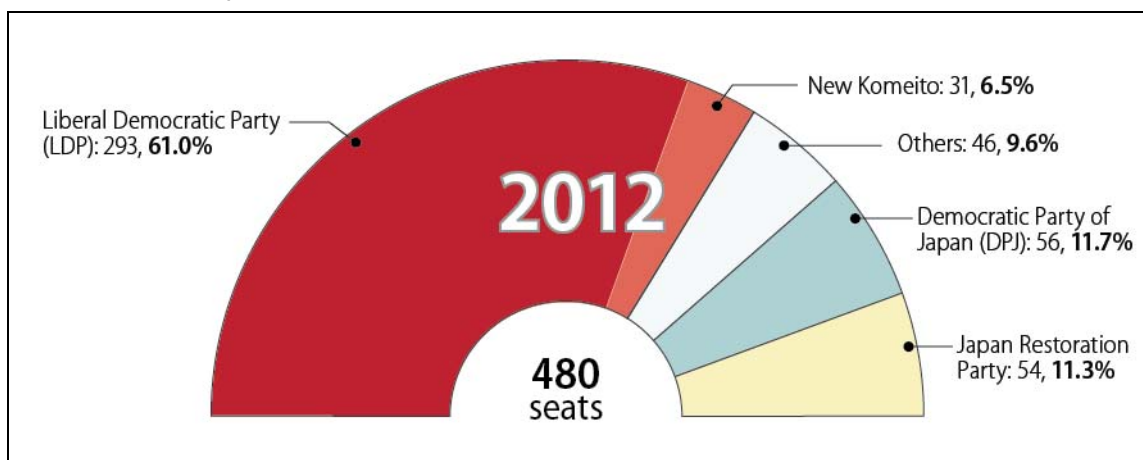
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<sup>49</sup> This section was written by Mark Manyin and Emma Chanlett-Avery. For more, see CRS Report R40758, *Japan's Historic 2009 Elections: Implications for U.S. Interests*, by Weston S. Konishi.

<sup>50</sup> On the night of the election, for instance, Abe said of his party's victory, "it's not because the LDP regained full public confidence. It's the public judgment to put an end to political confusion and stalemate resulting from the three years of the DPJ's improper political leadership." NHK press conference, as reported by U.S. Embassy Tokyo, Japan Media Analysis Afternoon Edition, December 17, 2012.

### Figure 3. Party Affiliation in Japan's Lower House of Parliament

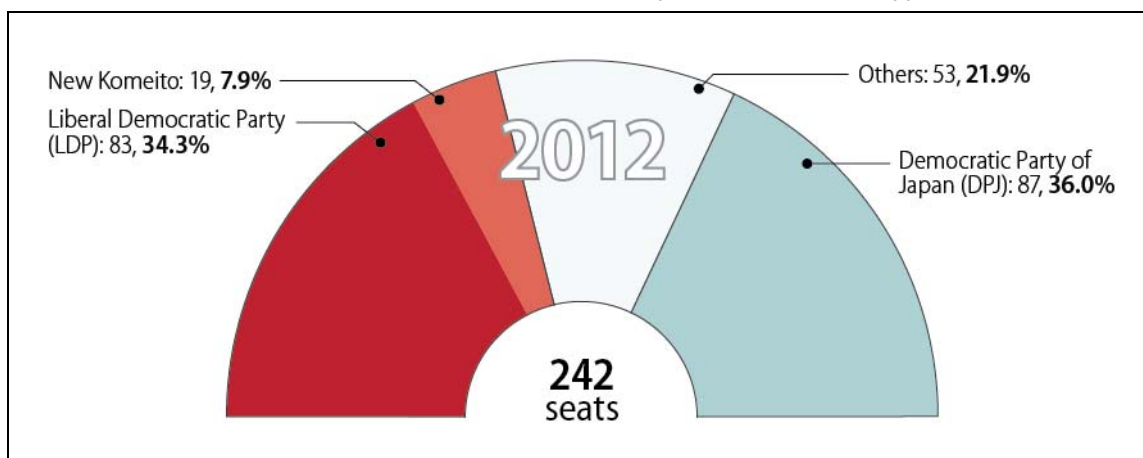
The LDP and its partner, New Komeito, control the Lower House, which elects the Prime Minister



Source: Kyodo News, December 26, 2012.

### Figure 4. Party Affiliation in Japan's Upper House of Parliament

The LDP-New Komeito coalition, with smaller parties, control the Upper House



Source: Kyodo News, December 26, 2012.

## Abe's Priorities

During and since the election campaign, Abe has spoken of building a “new Japan.” He has placed primary emphasis on economic recovery, particularly fighting what he describes as deflationary tendencies, an over-valued yen, and delayed reconstruction of areas affected by the triple disasters of March 2011.<sup>51</sup> Abe has also revived many of the security-oriented themes of his first stint in office, when he upgraded the Japan Defense Agency into a full-fledged ministry and spoke of loosening or abandoning the legal and political restrictions on the operations of Japanese

<sup>51</sup> Prime Minister's Office, “New Year's Reflection by Prime Minister Shinzo Abe,” January 1, 2013.



military forces. He has revived the latter goal and has pledged to increase Japanese defense spending for the first time in a decade. Notably, however, Abe has presented national security as secondary to economic revitalization. In contrast, Abe's fall from power in 2007 was in part attributable to his tendency to downplay economic and social welfare issues at the expense of his security policy priorities. At the time, the opposition Democratic Party of Japan (DPJ) was able to take advantage of this, which contributed to perceptions that his Cabinet was incompetent and allowed the DPJ to wrest control of the Diet's Upper House from the LDP in 2007 elections. Shortly thereafter, Abe suddenly resigned. One difference between now and then is that the Japanese polity, especially the LDP and its supporters, appear more willing to support tough positions on national security, in part due to a widely held sentiment that China, Russia, and South Korea have been asserting themselves at Japan's expense.

Abe's main electoral priority will be ensuring that the LDP and its coalition partner, the New Komeito party, do well in the July 2013 elections for half of the seats of Japan's Upper House. Because these elections will be pivotal—if the LDP loses seats, the Diet once again could become divided—many analysts believe Abe is unlikely to take steps in the next seven months that are politically controversial, such as joining the Trans-Pacific Partnership or loosening Japan's ban on participating in "collective self-defense," that is, combat cooperation in defense of another country. Two key developments to watch are whether the July elections weaken or deepen the LDP's reliance on New Komeito and, relatedly, the extent to which New Komeito leaders assert themselves in various policy issues. Specifically, New Komeito opposes efforts to weaken or do away with Japan's collective self-defense ban. In practice, however, New Komeito leaders often have placed a greater priority on maintaining their coalition with the LDP than upholding the party's principals in many matters of national security.

In 2007, Abe cited his poor health as one reason for his abrupt resignation. Days after he stepped down he was hospitalized for what was later revealed to be ulcerative colitis, a chronic and episodic form of inflammatory bowel disease in which ulcers and sores in the colon can cause pain and other symptoms. Stress can trigger flareups, and Abe's symptoms reportedly became nearly unbearable in the weeks after he led the LDP to its 2007 Upper House defeat. Abe reportedly says that the disease is now under control thanks to medication that was not available in Japan until 2009.<sup>52</sup>

### **The DPJ and Alternative Political Forces**

The DPJ appears to have been thrown into a state of disarray by the magnitude of its December 2012 defeat, which saw a number of prominent DPJ leaders lose their seats. In the days following the election, the remnants of the former ruling party chose Banri Kaeda as their leader. Although the DPJ is Japan's second-largest party, as of early 2013 the prevailing narrative is such that its actual power appears less than its numerical strength. Formed in the late 1990s by an amalgamation of former conservative and progressive politicians, the party continues to be riven by divisions among its more hawkish and dovish factions. It remains to be seen whether some of the DPJ's advocates for a tougher security stance will break with the other members of their party and support some of Prime Minister Abe's security initiatives.

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<sup>52</sup> Alexander Martin, "Japan's New Leader Says Recovered From Illness," *The Wall Street Journal Online*, December 16, 2012.

Over the past twenty years, growing frustration with Japan's political status quo has periodically given rise to small-to-moderate protest movements. One such wave resulted in the defeat of the LDP in the 2009 Lower House elections, ushering in the DPJ's three-year reign. Many Japanese have embraced alternative leaders such as Osaka mayor Toru Hashimoto, who since mid-2011 has captured national attention as the *de facto* leader of a populist deregulatory and decentralization movement. Together with former Tokyo mayor Shintaro Ishihara, Hashimoto formed the Japan Restoration Party (JRP, also known as *Ishin No Kai*) in the fall of 2012 and captured enough seats to almost overtake the DPJ as the leading opposition party. Both Hashimoto and Ishihara are known to support nationalist positions on matters of security and history, and thus could perhaps be natural ad hoc allies for Abe on these issues.

### **Structural Rigidities in Japan's Political System**

The turmoil of the past six years at the top of the political structure has compounded Japan's political peculiarities. Compared to most industrialized democracies, the Japanese parliament is structurally weak, as is the office of the prime minister and his cabinet. Though former Prime Minister Junichiro Koizumi (who served from 2001 to 2006) and his immediate predecessors increased politicians' influence relative to bureaucrats', with important exceptions Japan's policymaking process tends to be compartmentalized and bureaucratized, making it difficult to make trade-offs among competing constituencies on divisive issues. The result is often paralysis or incremental changes at the margins of policy, particularly during periods of weak premierships such as the one Japan has experienced in recent years.

Five of the past six prime ministers have confronted a major structural challenge: overcoming a divided parliament. Japan's Diet, as its legislature is called, is divided into two chambers, the Lower House and the Upper House. Although the Lower House is the more powerful—among other powers, it chooses the Prime Minister—in reality, it is numerically and politically difficult for it to exert its will over the Upper House. For decades after World War II, the Upper House's effective veto was not an issue because one party, the Liberal Democratic Party (LDP), controlled both chambers. However, in recent years, the Diet's two chambers have been controlled by different parties. From 2007-2009, the LDP was ascendant in the Lower House (and therefore the ruling party), with the DPJ in control of the Upper House. From mid-2010 until the December 2012 elections, the reverse was true. Both times, the party in control of the Upper House has blocked most of the ruling party's bills, in an attempt to force the prime minister to hold early elections. As discussed above, for this reason, a major priority for the Abe government will be ensuring that the LDP does well in the July 2013 Upper House elections.

### **Japan's Demographic Challenge**

Japan's combination of a low birth rate, strict immigration practices, and a rapidly aging population presents policymakers with a significant challenge. Polls suggest that Japanese women are avoiding marriage and child-bearing because of the difficulty of combining career and family in Japan; the birthrate has fallen to 1.25, far below the 2.1 rate necessary to sustain population size. Japan's current population of 127 million is projected to fall to about 95 million by mid-century. Concerns about a huge shortfall in the labor force have grown, particularly as the elderly demand more care. The ratio of working age persons to retirees is projected to fall from 5:2 at present to 3:2 in 2040, reducing the resources available to pay for the government social safety

net.<sup>53</sup> Japan's immigration policies have traditionally been strictly limited, but policy adjustments have allowed for a larger foreign labor force. With government encouragement, some private firms offer incentives to employees with children.

## Selected Legislation

### 112<sup>th</sup> Congress

**H.Res. 172 (Honda).** Expressing heartfelt condolences and support for assistance to the people of Japan and all those affected in the aftermath of the deadly earthquake and tsunamis of March 11, 2011. Subcommittee hearings held.

**S.Res. 101 (Reid).** A resolution expressing the sense of the Senate relating to the March 11, 2011, earthquake and tsunami in Japan. Passed/agreed to in Senate on March 14, 2011.

**S.Res. 333 (Feinstein).** A resolution welcoming and commending the Government of Japan for extending an official apology to all United States former prisoners of war from the Pacific War and establishing in 2010 a visitation program to Japan for surviving veterans, family members, and descendants. Submitted in the Senate, considered, and agreed to without amendment and with a preamble by Unanimous Consent on November 17, 2011.

**S.Res. 543 (Boxer).** A resolution expressing the sense of the Senate condemning the international parental abduction of all children. Passed/agreed to with an amendment and an amended preamble in Senate on December 4, 2012.

### 111<sup>th</sup> Congress

**H.R. 44 (Bordallo).** Sought recognition of the loyalty and suffering of the residents of Guam who suffered unspeakable harm as a result of the occupation of Guam by Imperial Japanese military forces during World War II, by being subjected to death, rape, severe personal injury, personal injury, forced labor, forced march, or internment, as well as payments for death, personal injury, forced labor, forced march, and internment. Referred to Senate Committee on the Judiciary on March 5, 2009.

**H.R. 423 (Mica).** Sought to provide compensation for certain World War II veterans who survived the Bataan Death March and were held as prisoners of war by the Japanese. Referred to House Subcommittee on Military Personnel on February 6, 2009.

**H.R. 2055 (Thompson) and S. 817 (Cantwell).** The Pacific Salmon Stronghold Conservation Act of 2009. Among other items, authorized the sharing of status and trends data, innovative conservation strategies, conservation planning methodologies, and other information with North Pacific countries, including Japan, to promote salmon conservation and habitat. In April 2009, the House bill was referred to House Natural Resources Committee's Subcommittee on Insular

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<sup>53</sup> Lynann Butkiewicz, "Implications of Japan's Changing Demographics," National Bureau of Asian Research, Washington, DC, October 2012.

Affairs, Oceans and Wildlife, which held a hearing on the bill on June 16, 2009. The Senate bill was referred to the Senate Committee on Commerce, Science, and Transportation in April 2009.

**H.R. 2647 (Skelton) and S. 1390 (Levin); P.L. 111-84.** The National Defense Authorization Act for FY2010. Signed into law October 28, 2009. On July 21, 2009, the Senate passed (58-40, Record Vote Number: 235) an amendment (S.Amdt. 1469) to S. 1390, the FY2010 National Defense Authorization Act, that eliminated funding for additional F-22 aircraft production. In conference, this provision was deleted, but both chambers agreed not to authorize funding for additional procurement of the F-22 in FY2010. Section 1250 requires the Secretary of Defense to report to Congress on the potential for foreign military sales of the F-22A fighter aircraft. Section 2835 establishes an Interagency Coordination Group of Inspectors General for Guam Realignment, which among other items, is required to submit by February 1 an annual report on Japan's budgetary contribution to the relocation of military personnel on Guam. The conference committee deleted the portion (in Section 2833) of the House version of H.R. 2647 that would have required construction firms that get contracts for projects associated with the expansion of U.S. military facilities on Guam to pay their workers wages consistent with the labor rates in Hawaii.

**H.Res. 933 (Dingell).** Commended the Government of Japan for its current policy against currency manipulation and encouraged the Government of Japan to continue in this policy. Introduced November 19, 2009; referred to House Ways and Means Committee.

**H.Res. 125 (C. Smith).** Called on Brazil in accordance with its obligations under the 1980 Hague Convention on the Civil Aspects of International Child Abduction to obtain, as a matter of extreme urgency, the return of Sean Goldman to his father David Goldman in the United States; urging the governments of all countries that are partners with the United States to the Hague Convention to fulfill their obligations to return abducted children to the United States; and recommended that all other nations, including Japan, that have unresolved international child abduction cases join the Hague Convention and establish procedures to promptly and equitably address the tragedy of international child abductions. Passed/agreed to in House on March 11, 2009.

**H.Res. 997 (Sutton).** Expressed the sense of the House of Representatives regarding unfair and discriminatory practices of the government of Japan in its failure to apply its current and planned extension of the Government's Eco-friendly Vehicle Purchase and scrappage program to imported vehicles made by U.S. automakers. Introduced January 5, 2010; referred to the Committee on Ways and Means, and in addition to the Committee on Foreign Affairs, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

**S.Res. 388 (Stabenow).** Expressed the sense of the Senate regarding unfair and discriminatory measures of the Government of Japan in failing to apply the Eco-Friendly Vehicle Purchase Program to vehicles made by United States automakers. Introduced January 20, 2010; referred to the Committee on Finance.

**H.Res. 1464 (Ros-Lehtinen).** Recognized the 50<sup>th</sup> anniversary of the conclusion of the United States-Japan Treaty of Mutual Cooperation and Security and expressing appreciation to the Government of Japan and the Japanese people for enhancing peace, prosperity, and security in the Asia-Pacific region. Passed/agreed to in House on June 24, 2010.

**S.Res. 564 (Webb).** Recognized the 50<sup>th</sup> anniversary of the ratification of the Treaty of Mutual Security and Cooperation with Japan, and affirmed support for the United States-Japan security alliance and relationship. Resolution agreed to in Senate without amendment and with a preamble by Unanimous Consent on June 29, 2010.

**H.Res. 1326 (Moran).** Called on the Government of Japan to immediately address the growing problem of abduction to and retention of United States citizen minor children in Japan, to work closely with the Government of the United States to return these children to their custodial parent or to the original jurisdiction for a custody determination in the United States, to provide left-behind parents immediate access to their children, and to adopt without delay the 1980 Hague Convention on the Civil Aspects of International Child Abduction. Passed in the House on September 29, 2010.

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